

STATE OF ALASKA
INTERNATIONAL AIRPORT SYSTEM
(An Enterprise Fund of the State of Alaska)

Report on Compliance with Requirements Regarding the
Collection and Expenditure of Passenger Facility Charges

June 30, 2007

Independent Auditor's Report

State of Alaska Department of Transportation
And Public Facilities
Juneau, Alaska

Compliance

We have audited the compliance of the State of Alaska International Airport System (Airport System) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended June 30, 2007. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport System's management. Our responsibility is to express an opinion on the Airport System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport System's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport System's compliance with those requirements.

In our opinion, the State of Alaska International Airport System complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June, 30 2007.

Internal Control Over Compliance

The management of the Airport System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport System's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport System's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Passenger Facility Charges Collected and Expended

We have audited the basic financial statements of the Airport System as of and for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State of Alaska Department of Transportation
And Public Facilities
Juneau, Alaska

This report is intended solely for the information and use of the Airport System, State of Alaska, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 3, 2007

STATE OF ALASKA
INTERNATIONAL AIRPORT SYSTEM

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Supplementary Schedule of Passenger Facility Charges Collected and Expended
Year Ended June 30, 2007 and for each quarter during the year ended June 30, 2007

Description	Beginning balance unliquidated PFC	PFC revenues (1)	Investment earnings	Total expenditures	Ending balance unliquidated PFC
Anchorage International Airport					
Cash receipts and disbursements, quarter ended September 30, 2006	\$ 9,770,464	1,164,904	206,553	-	11,141,921
Cash receipts and disbursements, quarter ended December 31, 2006	11,141,921	886,906	139,656	-	12,168,483
Cash receipts and disbursements, quarter ended March 31, 2007	12,168,483	847,323	184,992	-	13,200,798
Cash receipts and disbursements, quarter ended June 30, 2007	<u>13,200,798</u>	<u>1,181,949</u>	<u>104,670</u>	<u>2,000,000</u>	<u>12,487,417</u>
Total	\$ <u>46,281,666</u>	<u>4,081,082</u>	<u>635,871</u>	<u>2,000,000</u>	<u>12,487,417</u>
Fairbanks International Airport					
Cash receipts and disbursements, quarter ended September 30, 2006	\$ (188,485)	365,034	8,829	-	185,378
Cash receipts and disbursements, quarter ended December 31, 2006	185,378	290,074	9,157	-	484,609
Cash receipts and disbursements, quarter ended March 31, 2007	484,609	259,194	12,257	332,224	423,836
Cash receipts and disbursements, quarter ended June 30, 2007	<u>423,836</u>	<u>392,456</u>	<u>4,712</u>	<u>625,481</u>	<u>195,523</u>
Total	\$ <u>905,338</u>	<u>1,306,758</u>	<u>34,955</u>	<u>957,705</u>	<u>195,523</u>

(1) PFC revenues are prepared on the cash-basis method of accounting

See accompanying independent auditor's report.